

## Message Text

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E.O. 11652: GDS  
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SUBJ: CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC) MEETING,  
16 OCT 75, AT BRUSSELS

SUMMARY. IN ROUTINE MEETING TO CLEAR OUT BACKLOG OF DECISIONS,  
CEPPC EXAMINED BOARD OF AUDITORS' REPORT FOR 1972, APPROVED  
SECOND SUPPLEMENTARY BUDGET FOR 1975 AND AGREED TO FIRST CALL FOR  
CONTRIBUTIONS FOR 1976. MOST SUBSTANTIVE DISCUSSION OCCURRED ON  
ITEMS OF OTHER BUSINESS SUCH AS CENTRAL EUROPE OPERATING AGENCY  
(CEOA) REORGANIZATION, 1976 MEETING IN WASHINGTON, SHAPE'S NEW  
LOOK AT POL SUPPLY, AND PLAN FOR RESOLUTION OF FRENCH PROBLEMS  
WITH TAXES, ETC. END SUMMARY.

1. ITEM OF INTEREST ARE REPORTED BELOW AND KEYED TO AGENDA:  
III. REPORT OF THE INTERNATIONAL BOARD OF AUDITORS FOR 1972.  
CEPPC STARTED PRELIMINARY DISCUSSION ON THE 1972 REPORT BUT  
ALMOST IMMEDIATELY BOGGED DOWN BECAUSE REPORT REPEATS ALL  
PREVIOUS ALLEGATIONS CONCERNING FRENCH UNWILLINGNESS TO ALLOW  
INTERNATIONAL AUDIT, ASSESSMENT OF PROFIT TAXES, ASSESSMENT OF  
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TVA, AND SPECIAL PAYMENTS TO TRAPIL. COMMITTEE REMINDED CHAIRMAN  
(DUNCAN) THAT ACTION ON MOST OF THESE ITEMS HAD BEEN DELAYED  
PENDING HIS NEGOTIATION WITH FRENCH AUTHORITIES CONCERNING THE 1973  
SPECIAL REPORT BY BOARD OF AUDITORS ON THE TRAPIL QUESTION. IN

VIEW OF LACK OF PROGRESS, BELGIAN REP (DUPONT) SUGGESTED THAT COMMITTEE SHOULD REQUEST COUNCIL DOYEN (DE STAERCKE) TO TAKE UP THE MATTER WITH FRENCH PERM REP DE ROSE IN AN EFFORT TO ACHIEVE A PACKAGE SETTLEMENT WHICH, WHILE PERHAPS NOT RESOLVING ALL QUESTIONS, COULD BE CONSIDERED SUFFICIENTLY ADVANTAGEOUS TO THE OTHER CENTRAL EUROPE PIPELINE SYSTEM (CEPS) MEMBERS. FRENCH REP (GENTILHOMME), OPENLY BUT OFF THE RECORD, AGREED THAT SUCH ACTION COULD HELP HIM IN HIS EFFORTS TO ACHIEVE AGREEMENT AMONG FRENCH MINISTRIES ON SOME RELIEF FOR THE CEPS. COMMITTEE REQUESTED CHAIRMAN TO ASSEMBLE ALL OF THE ELEMENTS FOR SUCH A PACKAGE DEAL FOR DISCUSSION AT THE NOVEMBER MEETING IN THE HOPE OF PROVIDING A TALKING PAPER FOR DE STAERCKE. BELGIAN REP NOTED NEED TO ACCELERATE SINCE DE STAERCKE IS EXPECTED TO LEAVE NATO ABOUT 1 FEB 76.

V. FIRST CALL FOR CONTRIBUTIONS, 1976. CEOA DIRECTOR OF FINANCE (MORRIS) REQUESTED PAYMENT OF FIRST 1976 CONTRIBUTION IN AMOUNT OF FF 35 MILLION AS SOON AS POSSIBLE TO PROTECT HIS CASH BALANCE GOING INTO 1976. FRENCH AND GERMAN (WOZNICKI) REPS INDICATED POSSIBLE DIFFICULTIES IN MAKING ENTIRE PAYMENT BY JANUARY. GERMANS BELIEVE ALLOCATION PROCEDURES IN THEIR BUDGET MIGHT REQUIRE PAYMENT OF FINAL PORTION AS LATE AS MAY 1976. US REP (LOVELAND) AGREED TO MAKE PAYMENT BY 1 JAN 76 AS DID MOST OTHERS. BELGIAN REP CHALLENGED GERMAN REQUEST FOR DELAY IN PAYMENT AND AGREED TO REQUEST ONLY ON THE CONDITION THAT GERMANS WOULD JUSTIFY AT LATER DATE. IN CONNECTION WITH CEOA REQUEST FOR CONTRIBUTIONS, COMMITTEE WAS INFORMED THAT CEOA IS CURRENTLY ESTIMATING A 1976 DEFICIT OF FF 83 MILLION (UP FROM ABOUT FF 53 MILLION IN 1975). US REP NOTED THAT BUDGET WORKING GROUP WOULD BE EXAMINING BUDGET REQUESTS FOR 76 DURING MEETING OF 21-24 OCTOBER. HE ASKED THAT CEOA BE PREPARED AT THAT TIME TO SUGGEST MEANS BY WHICH EXPENDITURES COULD BE REDUCED OR REVENUES INCREASED TO HOLD THE DEFICIT TO WITHIN A REASONABLE INCREASE OVER 1975. CEOA GENERAL MANAGER (VERBOIS) RELUCTANTLY AGREED TO DO SO SINCE IN HIS OPINION, QUOTE THE CEPS IS A MILITARY SYSTEM NOT DESIGNED TO MAKE A PROFIT AND THE CEPS NATIONS MUST FINANCE WHATEVER DEFICIT THAT OCCURS UNQUOTE. COMMITTEE AGREED TO DISCUSS THAT POINT OF VIEW WITH HIM DURING THE BUDGET WORKING GROUP MEETING.

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VI. SECOND SUPPLEMENTARY BUDGET 1975. CEOA PROVIDED ADDITIONAL JUSTIFICATION REQUESTED AT PREVIOUS MEETING (REPORTED USNATO 5219) AND COMMITTEE APPROVED SUPPLEMENTARY BUDGET.

VII. ANY OTHER BUSINESS.

A. US REP DREW ON STATE 243117 IN REQUESTING THAT CEOA REORGANIZATION BE DISPOSED OF IN SOME MANNER. CHAIRMAN NOTED THAT HE HAD RECEIVED A REPORT FROM THE CHAIRMAN OF THE CENTRAL EUROPE PIPELINE OFFICE (CEPO) WHICH HE INTENDED TO DISTRIBUTE AND REQUEST DISCUSSION AT THE NOVEMBER MEETING. COMMITTEE ACCEPTED CHAIRMAN'S SUGGESTION AND REQUESTED GENERAL MANAGER TO SUBMIT HIS ANALYSIS OF THE CEPO REPORT PRIOR TO NOVEMBER MEETING.

B. COMMITTEE ACCEPTED THE WEEK OF 21 JUNE 1976 FOR THEIR MEETING IN WASHINGTON. IN DUE TIME, REQUEST MISSION BE INFORMED

OF PROPOSED SCHEDULE.

C. SACEUR'S QUOTE NEW LOOK UNQUOTE AT POL STORAGE AND DISTRIBUTION. AS REQUESTED DURING SEPTEMBER MEETING, SHAPE PROVIDED BRIEFING ON CURRENT STUDIES CONCERNING NEW REQUIREMENTS FOR POL PLANNING. SHAPE REP (COL POULSON) STATED THAT A NUMBER OF FACTORS HAD INFLUENCED CURRENT THINKING AT SHAPE AS TO NATO'S POL SUPPLY DURING WARTIME. PRINCIPAL AMONG THESE FACTORS WERE SACLANT DECLARATION OF NON-ASSURANCE OF RESUPPLY DURING EARLY STAGES OF THE CONFLICT, NEW POL USAGE RATE FIGURES, AND THE REALIZATION OF MAJOR REQUIREMENT FOR POL SUPPLY IN SUPPORT OF REINFORCEMENT FOR CONTINENTAL EUROPE. SHAPE REP NOTED THAT THE US POSITION WHICH HAD PREVENTED CONSTRUCTION OF THE 14-INCH PIPELINE THROUGH BELGIUM HAD PROVED TO BE A WISE ONE IN VIEW OF PRESENTLY KNOWN FACTS. EUROPE MUST LOOK TO ITSELF DURING AN EMERGENCY AND THUS SHAPE'S PLANNERS WERE EXAMINING POSSIBILITIES OF CONNECTION TO REFINERIES, INTERCONNECTION OF NATO AND CIVILIAN PIPELINE SECTORS, AND ADDITIONAL STORAGE OF BOTH CRUDE OIL AND REFINED PRODUCTS. THIS INVOLVED COOPERATION WITH CIVIL EMERGENCY PLANNERS AND WITH NATIONAL AUTHORITIES TO OBTAIN LEGISLATION AND CROSS-SERVICING AGREEMENTS. NETHERLANDS REP (HOFMAN) OBJECTED THAT NATO MIGHT BE GETTING FAR AHEAD OF ITS OTHER LOGISTICS AREAS IF THEY WERE TO EXPEND LARGE SUMS IN INCREASING POL STORAGE CAPACITY. HE POINTED PARTICULARLY TO RECENT STUDY ON AMMUNITION STOCKS. US REP, SUPPORTED BY SHAPE, NOTED THAT THE MILITARY COMMITTEE WAS WORKING ON GENERAL LOGISTICS STUDIES AND THAT THE LARGER PROBLEM OF RATIONALIZATION OF NATO'S LOGISTICS POSTURE WOULD BE DISCUSSED IN ANOTHER FORUM. CEPPC INVOLVEMENT SHOULD BE PURELY IN THE FINANCIAL ASPECTS CONCERNING THE CENTRAL EUROPE SYSTEM PENDING ANY

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REQUIREMENT TO PARTICIPATE IN THE LARGER LOGISTICS DISCUSSIONS. SHAPE REP COMPLETED HIS BRIEFING WITH AN INDICATION THAT MATERIALS FOR THE CURRENT STUDIES WERE NOT AS YET ALL IN HAND BUT THAT HE HOPED THAT THE STUDY COULD BE COMPLETED IN EARLY 1976. HE DID KNOW THAT A COMPLETE FIX THROUGHOUT NATO'S POL STORAGE AND TRANSPORTATION SYSTEMS WOULD COST SOME IAU 60 MILLION, AND THAT THE CURRENT FIVE-YEAR PLAN ALLOCATED ONLY ABOUT 10 PCT OF THAT AMOUNT. HE STATED THAT HE WOULD KEEP THE COMMITTEE ABREAST OF FURTHER DEVELOPMENTS. STREATOR

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